

Message Text

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PAGE 01 JAKART 06435 171253Z
ACTION EA-12

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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC IMMEDIATE 8823

C O N F I D E N T I A L JAKARTA 6435

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FOR EA ONLY
E.O. 11652: GDS
TAGS: SHUM, EAID, ID
SUBJECT: HUMAN RIGHTS WORKING GROUP MEETING ON IFI AND OPIC
PROJECTS, MAY 17

REF: STATE 124825

1. IBRD NUCLEUS ESTATE AND SMALLHOLDER II LOAN WILL AMOUNT TO ABOUT \$50 MILLION. PROJECT CONSISTS OF FOLLOWING COMPONENTS: (A) NEW LAND SETTLEMENT AND DEVELOPMENT OF 38,000 HECTARES OF SECONDARY FOREST IN CENTRAL SUMATRA (RIAU AND JAMBI PROVINCES) WITH RUBBER AND SUBSISTENCE CROPS TO SETTLE 7,600 FAMILIES; (B) REPLANTING 7,500 HECTARES OF AGING RUBBER TREES IN SAME AREA TO BENEFIT 3,750 EXISTING SMALLHOLDER FAMILIES; (C) IMPROVE VIABILITY OF NUCLEUS ESTATE ITSELF (PTP IV) BY NEW PLANTING OF 3,500 HECTARES OF RUBBER; (D) PROVIDE PROGRAM SUPPORT THROUGH ((I) TECHNICAL ASSISTANCE TO IMPLEMENTING AGENCY (DIRECTORATE GENERAL OF ESTATES) FOR PROJECT PREPARATION, PLANNING, IMPLEMENTATION AND EVALUATION AND (II) TECHNICAL ASSISTANCE FOR EXTENSION WORK AND SMALLHOLDER RUBBER MANAGEMENT TRAINING IN PROJECT AREA.

2. APPROXIMATELY \$8 MILLION OF PROPOSED IBRD LOAN WILL BE INVESTED IN IMPROVING ECONOMIC VIABILITY OF NUCLEUS ESTATE PTP IV TO GIVE IT STRENGTH NEEDED TO UNDERTAKE EXPANDED
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RESPONSIBILITY FOR SERVING INCREASED NUMBER OF SMALLHOLDERS. ROUGHLY \$3 MILLION WILL ASSIST ESTIMATED 11,250 FAMILIES IN POOR, UNDERDEVELOPED AREA OF CENTRAL SUMATRA.

3. NOTWITHSTANDING EXCELLENT WORLD MARKET OUTLOOK FOR NATURAL RUBBER, RUBBER SMALLHOLDERS IN INDONESIA ARE IN

SERIOUS SITUATION. THEIR PRODUCTION IS DECLINING BECAUSE THEY LACK RESOURCES TO UNDERTAKE NECESSARY REPLANTING. WITHOUT LARGE CAPITAL INPUTS SUCH AS PROVIDED BY PROPOSED IBRD LOAN, SMALLHOLDER SITUATION WILL CONTINUE TO DETERIORATE, AND INDONESIA'S RUBBER EXPORTS WILL CONTINUE TO DECLINE. MISSION REPORTING, IBRD AND EVEN IMF HAVE ALL INDICATED GROWING CONCERN ABOUT NEED FOR INDONESIA TO REDUCE ITS RELIANCE ON OIL AND INCREASE ITS NON-OIL EXPORTS. IBRD LOAN WILL HELP ACHIEVE THIS. IN OUR VIEW, PROPOSED LOAN SO CLEARLY SATISFIES BASIC HUMAN NEEDS CRITERIA THAT SUPPORT BY USG SHOULD NOT BE QUESTIONED.

4. REGRET WE HAVE BEEN UNABLE TO IDENTIFY OPIC PROJECT REFERRED TO IN REFTEL AND THUS WE ARE UNABLE TO PROVIDE REQUESTED INFORMATION.
MASTERS

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